

LJM2 APPROVAL SHEET

This Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Pluto

Date Approval Sheet completed: December 28, 1999

Enron person completing this form: Chris Lochr

Expected closing date: December 29, 1999

Business Unit: Enron North America

Business Unit Originator: Brian Redmond

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☒ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☐ other: _____

Person(s) negotiating for Enron: Joe Deffner, Greg Caudell, Kathy Lynn

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Andrews & Kurth

Legal counsel for LJM: Kirkland & Ellis (Mike Edsal)

DEAL DESCRIPTION

LJM2 will purchase from Enron North America a 90% equity interest in MEGS, L.L.C. for \$743,040. LJM2 will also purchase ENA debt at MEGS, L.L.C. with \$23.2 million principal amount and 14.15% coupon for \$25,570,569.78. The premium paid on the debt reflects LJM2's market view that 9.9% is an appropriate return for the blended Burlington/Mariner credit risk.

ECONOMICS

LJM2 will purchase the equity with the expectation of receiving a 25% IRR on its investment. LJM2 and ENA will enter into a marketing agreement under which ENA agrees to use its reasonable best efforts to sell the equity on LJM2's behalf and under which ENA receives 90% of any gains exceeding LJM2's 25% return. Due to the significant premium, LJM2's debt investment will yield approximately 9.9%. ENA has agreed to bear syndication risk on the debt piece.

DASH

Attached. The only material changes in the attached DASH are the now executed contracts that were contemplated when the DASH was done. MEGS, Mariner, and Burlington entered into a gathering agreement stipulating the contractual cashflows. MEGS and Mariner entered into an operating agreement under which Mariner and Burlington cover all operating expenses pro rata. The gathering system has been tested and is currently operational.

ISSUES CHECKLIST

1. Sale Options

- a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:

☒ Condor ☒ JEDI II ☐ Third Party ☐ Direct Sale. Please explain: A sale to Condor would not allow Enron to book earnings. JEDI II would have required CalPERS' consent since the transaction is not a Qualified Investment. Due to the small size of the equity piece and due to JEDI II's unwillingness to present CalPERS' a transaction with more Mariner credit exposure, JEDI II declined.

- b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____

- c. Were any other bids/offers received in connection with this transaction? ☒ Yes ☐ No. Please explain: The debt was marketed to several banks, including Bank of America. Bank of America was unwilling to accept further Mariner credit exposure and declined.

2. Prior Obligations

- a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No. If yes, please explain how this issue was resolved: _____

- b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

- a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☒ Earnings

☒ Other: Funds flow of approximately \$24 million.

- b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____

- c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron? ☐ Yes ☒ No. If yes, please explain: _____

- d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

4. Compliance

- a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.

- b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee? ☐ Yes ☒ No.


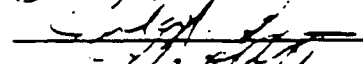
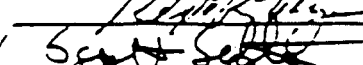
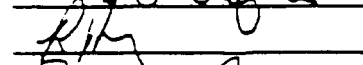
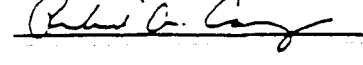

- c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____

- d. Was this transaction reviewed and approved by Enron's Chief Accounting Officer? ☒ Yes ☐ No.

- e. Was this transaction reviewed and approved by Enron's Chief Risk Officer? ☒ Yes ☐ No.

- f. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☒ No. (The Audit Committee has not held a meeting since LJM2's formation.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☒ No.

APPROVALS

| | Name | Signature | Date |
|----------------------|---------------|--|----------|
| Business Unit | Brian Redmond |  | 12-27-99 |
| Business Unit Legal | Tracy E. ... |  | 12-27-99 |
| Enron Corp. Legal | Rex Rogers |  | 12-29-99 |
| Global Finance Legal | Scott Sefton |  | 12-29-99 |
| RAC | Rick Buy |  | 12-29-99 |
| Accounting | Rick Causey |  | 12-29-99 |
| Executive | Jeff Skilling | | |

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